

Hospitality Matters

Current topics in the hospitality industry

2025

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Welcome to Hospitality Matters

Welcome to the 2025 edition of Hospitality Matters. This year CMS celebrates 25 years of the hospitality, travel and leisure sector group, bringing together different disciplines, such as corporate, M&A, real estate, finance, construction and tax, for the first time into a single group focused on an industry vertical. This innovation was not only replicated within CMS for other industry sectors, but has also been widely adopted across the UK legal market.

The eagle-eyed amongst you may notice that we have renamed the group from “Hotels & Leisure” and “Hospitality, Travel & Leisure”. The reflects the increasing importance of the travel industry to our practice where we see continued consolidation across the tour operator market; increased overlap with our technology practice in the traveltech market; and more activity from airlines and airports.

Many of the synergies between hospitality and wider travel & leisure sector come from the changing demographic and demand patterns. Younger generations are increasingly reserving their discretionary spend for leisure experiences rather than purchasing tangible items and are more willing to travel in order to find new experiences. This drives investment in everything from budget airlines through lifestyle/experiential hotels, theme parks and live entertainment to competitive socialising in place of traditional bars and pubs. An example is the recently announced Universal Studios theme park development, on which CMS has been advising.

As younger generations start to become a greater source of demand for our clients across the sector, social media becomes an increasingly important medium for marketing. In this edition, we cover the rise of influencer marketing and brand partnerships, showcasing how strategic collaborations can enhance brand visibility and engagement.

But continued demand growth also creates challenges and overtourism has become a major issue in popular destinations such as Amsterdam, Venice and the Balearic Islands. In this edition, we explore

the dynamic Dutch hotel market, highlighting the growth in tourism and examining the implications of the new “Tourism in Balance” regulation.

As part of the solution to tackling overtourism whilst raising funds for public services, many local governments are looking at various forms of tourist taxes. We provide a round-up of the various tourist taxes implemented across Europe, examining their benefits and drawbacks, and considering their impact on travel costs and destination competitiveness.

For an objective view of these market trends, we have a Q&A with Leon Thompson, Executive Director of UKHospitality Scotland, who shares insights on the key headwinds facing the hospitality sector, strategies for overcoming these challenges, and the implications of new policies such as visitor levies and electronic travel authorisations.

Thank you for reading and we look forward to your feedback.



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Trends and challenges in the Dutch hotel market

The Dutch hotel market is subject to various changes. There is increased interest from various parties in both the acquisition and development of hotel real estate due to the continuous growth of tourism in The Netherlands. However, the Dutch hotel market still faces several (legal) challenges.

Hotel market in The Netherlands

The Dutch hotel market is dynamic. The continuous growth of tourism in the Netherlands has led to a rising interest from investors in hotel real estate. According to CBRE, opportunistic investors, such as private investors and private equity, are particularly active in the Dutch hotel investment market. These parties often focus on value-add products, with office conversions increasingly gaining attention. The declining interest rates and the expectation of lower initial yields have also increased the interest of institutional investors. Although this has not led yet to many transactions in 2024, more of these parties seem to be preparing for acquisitions in the coming years. This is expected to have a positive effect on the investment volume.

Research by Savills indicates that serviced apartments and aparthotels are a subsector with significant growth potential in the Netherlands, especially in cities like Amsterdam, Rotterdam, The Hague, and Utrecht. These accommodations benefit from the demand for flexible stays and longer stay periods, particularly from business travellers and expats.

Hotel policy in Amsterdam

Amsterdam's fight against tourism

Iconic destinations in Europe have long attracted millions of visitors eager to experience the charm of cities like Amsterdam, Venice, and Barcelona. However, the unprecedented increase in tourism over the past decade has pushed cities to their limits, straining resources, disrupting local communities, and altering

the character of historic neighbourhoods. Overtourism has led to anti-tourism protests across Europe, with residents demanding sustainable solutions to preserve the identity of their cities and ensure a liveable future.

Since 2017, the municipality of Amsterdam has aimed to limit the growth of hotels in the city, and new hotels that do not fit into the zoning plan are not allowed. However, this policy included an exception (the 'no-unless rule') for hotel initiatives in certain areas designated by the municipality. To further curb the growth of hotels and hotel rooms, the municipality has been using the leasehold instrument since 2021.

This means that if the leasehold conditions do not allow for a hotel, the municipality, in its capacity as landowner, can refuse its consent if the hotel initiative does not comply with the policy. It is unclear whether the use of this civil law instrument to refuse the realisation of a hotel is permitted if the use is allowed on public law grounds (the zoning plan).

Tourism in Balance Regulation

In 2021 the city council of Amsterdam has adopted a new regulation "Tourism in Balance" imposing a bandwidth of a minimum of 10 million and a maximum of 20 million annual overnight stays and including 12 million and 18 million stays as signal values. The regulation is the outcome of a successful citizen initiative calling the city to rein in the numbers of tourists staying in Amsterdam. Under the regulation, the municipality must take measures if the number of tourist overnight stays exceeds 20 million per year.

As this was the case in 2023, the municipality abolished the 'no-unless' exception (referred to above) in the accommodation policy in April 2024. This means that no new hotel developments are allowed anywhere in the city. A new hotel can only be established if another hotel closes; the number of sleeping places may not increase. The new hotel initiative must also result in an upgrade of the quality of the hotel compared to the existing hotel. This can include, for example, a more modern or sustainable hotel. In general non-central hotel locations are encouraged by the municipality. The municipality also aims to remove unused hotel rights from zoning plans with the help of the environmental plan, which is expected to be rolled out across the city by 2030.

There is still room for customisation. It can help to consult with the municipality of Amsterdam at an early stage.

Short term rental of homes

Hotels are not the only establishments under scrutiny in Amsterdam. Currently, residents are allowed to rent out their homes to tourists for a maximum of 30 nights per year, subject to residents having obtained a permit for the rental activities. Recently, the municipality announced that it intends to limit the number of nights in the entire city centre and de Pijp district to 15 nights.

Additional measures

In addition to the aforementioned measures, the municipality has already implemented more than 75 measures in recent years to combat overtourism. These range from a ban on smoking cannabis in the Red Light District to limiting tour buses in the city centre and campaigns to make tourists more aware of their behaviour. Additionally, the municipality aims to gradually halve the number of river cruise ships in the city (from 2125 in 2023 to a maximum of 1150 in 2028). Incidentally, other major cities, including Amstelveen, The Hague, Utrecht, Haarlem, and Maastricht, have also introduced restrictive measures, although less rigorous steps are being taken in these cities than in Amsterdam.

Tourist tax in Amsterdam

One of the measures the municipality can resort to under the 'Tourism in Balance' regulation to reduce the number of overnight stays is to increase the tourist tax that is levied on all overnight stays in the city. As of 1 January 2024, the Amsterdam tourist tax has been increased to 12.5% of the overnight price, making it one of the highest tourist taxes in the world. Whether this will actually reduce the number of overnight stays in the city is highly questionable. The tax has

already been increasing significantly since 2020, but despite this, the number of overnight stays has risen. To counteract a 'waterbed effect', where visitors stay overnight in a neighbouring municipality and then spend the day in Amsterdam, an entertainment tax has been introduced on canal cruises, boat rentals, and event tickets. Despite proposals from the city council to further increase the tourism tax, it has chosen not to increase the tourist tax further in 2025.

VAT increase

The 2025 Tax Plan of the Dutch cabinet provides for the abolition of the reduced VAT rate on accommodation (currently 9% for a short stay), resulting in hotel stays being subject to the standard rate of 21% as of 1 January 2026. The tax plan has already been approved by the Dutch parliament. Although a motion has also been adopted calling on the cabinet to seek alternative coverage for the VAT increase, it is highly questionable whether a majority in parliament will be achieved for alternative coverage. The alternative coverage is currently being sought for culture, media, and sports; not for accommodation. The VAT increase creates some uncertainty about the revenue development of Dutch hotels in the medium term. It is unclear whether operators will be able to fully pass on this increase to their guests, given the price sensitivity of hotels. Research by the financial newspaper "Het Financieele Dagblad" indicates that this increase could make hotels up to 11% more expensive, which could undermine the recovery of the hotel sector after the pandemic.

The hospitality businesses representation association Koninklijke Horeca Nederland foresees that the VAT increase on accommodation will have negative consequences for the tourism sector and related sectors, such as hospitality, retail, and recreation. In an international perspective, the proposed regulation results in a high tax burden for Dutch hotels.

Hospitality Collective Labour Agreement

The Hospitality Collective Labour Agreement 2024, provided for several significant changes compared to its predecessors. One of the most notable has been the introduction of new wage tables, which entail a wage increase of 8–12%, significantly increasing labour costs. To date, there are no indications that the burden on employers will decrease. The new Hospitality Collective Labour Agreement, in force since 1 January 2025 and currently subject to a request for a general binding declaration, includes further changes, such as additional wage increases.



Rent indexation based on CPI

In recent years, various hospitality operators have challenged their rent increases based on the consumer price index (CPI), but without success, despite the extraordinarily high CPI in for the Netherlands. The increased (energy) prices resulting from the war in Ukraine were not considered unforeseen circumstances.

In response, several industry organisations, including Koninklijke Horeca Nederland, launched a tenant variant of the ROZ 290 model at the beginning of 2024, in which indexation is explicitly subject to negotiation between landlord and tenant (a step or a cap). In 2024, the ROZ adjusted the model contracts for the (sub) lease of office/230a and retail/290 spaces, making it even easier for tenants and landlords to negotiate rent adjustments. Users can choose, in addition to the CPI, a fixed percentage or an index of their choice, or opt out of automatic rent adjustment altogether. The adoption of these new models for the hotel market has yet to take place.

Conclusion

With the recent revival of the transaction market and the declining popularity of other real estate segments, such as the office market, investors are showing a growing interest in the hotel market. Nevertheless, it remains to be seen what impact the current developments will have on the market dynamics. The increasingly stringent rules to limit tourism, the importance of ESG, will play a significant role in the development of the hotel sector.

Additionally, the VAT increase, the tourist tax and the very strict hotel policy could lead to rising room prices. Stakeholders will need to closely monitor these changes and adjust their strategies accordingly. The ultimate impact of these factors will become apparent in the coming years.



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The post-COVID pressure on restaurant groups and their private equity backers

The COVID-19 pandemic reshaped the landscape of many industries, and the restaurant sector was no exception. As restrictions lifted and businesses sought to recover, private equity (PE) investors who had backed many restaurant groups found themselves facing a difficult reality. For more than a decade, restaurant groups had relied heavily on PE funding to scale operations, enhance their brands, and weather the ups and downs of the market. However, in the wake of the pandemic, the business model that had served them well is now under significant pressure.

The private equity model

Private equity investors typically seek to acquire businesses with growth potential and scale them in order to eventually sell the company for a profit. With holding periods of between three to five years, PE investors look to generate 2x to 3x returns, depending on the size of the group and the investment amount.

The restaurant industry, with historically strong margins, branding opportunities, and growth potential, became an attractive target for PE firms from the 2000's onwards. Many restaurant groups, particularly those with established brands or untapped potential, turned to private equity to secure the capital needed for expansion, innovation, and modernisation.

For some, this partnership with PE firms worked well for years, with several examples of excellent returns achieved in the UK. However, COVID-19 accelerated change in the sector. While some restaurant chains thrived in the digital-first world of delivery services, others struggled with supply chain disruptions, labour shortages, and shifts in consumer behaviour that

brought about by the pandemic. Despite these hurdles, many restaurant groups have remained tethered to the PE model, relying on the backing of their investors, who have now been holding their restaurant assets far longer than anticipated and are now under significant pressure from their own investors to achieve exits.

The search for exits and the market impasse

As the market recovers and shifts, many private equity investors are actively seeking an exit strategy. A successful exit – through an IPO, sale, or merger – is crucial for PE firms to realise returns on their investment and ultimately wind up their funds. However, the market for restaurant businesses is not what it once was. Currently the capital markets are completely closed to restaurant groups in the UK and many listed groups are beginning to delist and accept take private offers to leave the London stock markets. Many investors are finding that conditions are less favourable for the types of exits they had originally envisioned. Trade sales and M&A deals are rare and distressed M&A is more prominent than ever before.

This market impasse leaves restaurant founders caught between a desire to continue growing their businesses while simultaneously looking for ways to “uncouple” from their investors, whose patience is wearing thin.

There is an emerging trend of founders seeking alternatives to the traditional exit strategies, where they can regain control and independence from private equity backers without sacrificing the growth potential of their brands.

Options for uncoupling from private equity

For restaurant founders looking to break free from PE investors, there are several paths available, although none are without their challenges. These options include:

1. **Borrowing from banks for buybacks:** One of the most straightforward solutions for founders is to secure bank loans to buy back equity from their private equity investors. This allows the restaurant group to regain full control of its operations while also providing liquidity to PE investors. However, the financial risk for both parties involved can be significant, and securing financing in a post-pandemic world may not be easy for all restaurant groups.
2. **Pre-packing the business to a new shell:** Another strategy is for founders to work with a financial advisor to “pre-pack” their business into a new shell company. This involves restructuring the business or its assets into a new entity, often as a way to create a fresh start or shift the ownership structure. It is an effective method for breaking free of a PE-backed structure while preserving the original brand and operations. This approach can offer a clean slate but requires careful negotiation between all parties involved.
3. **Management Buyouts (MBOs) backed by another investor:** In some cases, a management buyout (MBO) – where the existing management team buys out the private equity investors—can be an attractive option. In this case, the restaurant’s founders or executives would seek new investors to back the MBO, providing them with the necessary capital to buy out the PE investors. This option can align both sides’ interests but securing new backing for the MBO can prove challenging, particularly if the business is underperforming or struggling with debt.

The need for compromise

In every scenario, the need for compromise is inevitable. Founders may need to accept lower valuations or more restrictive terms to satisfy the demands of their private equity investors. On the other hand, PE firms may have to adjust their expectations, recognising that the conditions for a lucrative exit are not as favourable as they once were.

One particularly tricky situation arises when the private equity firm is nearing the end of its investment horizon, often the final years of a fund, and is under pressure to wind down the fund and distribute carried interest to both the investors and the management team. These situations often require a commercial deal to provide an appropriate resolution, allowing both sides to reach a mutually beneficial outcome, even if it means taking a more creative approach to financing or ownership transitions.

Conclusion

The restaurant industry, once an attractive target for private equity investment, is now facing a wave of restructuring and renegotiations. While the business model worked for many restaurant groups for years, COVID-19 has created a new set of challenges, and private equity investors are struggling to exit in a market that is still recovering.

Restaurant founders now find themselves at a crossroads, seeking ways to uncouple from their investors while ensuring their businesses remain competitive in an evolving industry. Whether through buybacks, pre-packing, or management buyouts, both sides will need to embrace compromise and creativity. The outcome of these negotiations is likely to reshape the landscape for private equity-backed restaurant groups for years to come.



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The rise of influencer marketing and brand partnerships

Strategic brand partnerships have become a powerful and cost-effective tool to access both new and prospective consumers on a global scale. Alongside opportunities to enhance brand visibility, there are key legal and commercial risks to consider.

For many brands in the hospitality sector, there has been a shift away from traditional forms of advertising, such as across billboards and broadcast media, to harnessing the power of social media to connect with audiences in more authentic, relatable ways. This is particularly the case where the target audience consists of millennials and Gen Z, amongst whom engagement with effective digital content is especially high.

Social media marketing can involve engaging an influencer with a significant online presence to endorse a particular brand or experience (such as via overnight hotel stays or holidays). However, brand partnerships go much further and extend to the many unique and creative collaborations between brands with complementary values and target audiences. Consider the current trend for hotel collaborations with luxury fashion brands, such as Missoni and Dior. Collaborations with contemporary artists are also increasingly popular, for example the W Hotel's collaboration with French artist Thomas Lélou to create exclusive tote bags for guests. Successful collaborations also include short-term "pop-up" residencies, such as the series of celebrity wellness residencies at The Savoy Hotel, offering guests exclusive access to experts and driving engagement via the celebrities' online followings.

Contractual clarity

Such successful brand partnerships should be underpinned by clear and robust legal agreements. Key considerations are set out below.

The stars align

Firstly, a collaboration is successful when there is clear brand alignment. Brands should ensure that their partner's image is consistent with their own values and will resonate with those of the target audience. To mark its centenary, Gleneagles partnered with heritage British luxury fashion brand Barbour to release a limited-edition wax jacket. The collaboration celebrates both brands' rich histories and showcases their shared values of tradition and quality.

Authentic storytelling

There is a balance to be struck between having oversight and control over all messaging versus a more flexible approach where the partner is free to create content organically. Whilst brands typically want the right to approve content before publication, collaborations work best where the storytelling is authentic, and consumers trust that messaging is honest. The agreement should clearly set out the objectives, specific outputs, and approval process, together with how engagement and ROI will be monitored.

Content ownership

When promotional material is created – whether social media posts or anything else – who owns the rights to that material? Equally important is the use of existing names, logos and other branding. Visibility and parameters around content ownership and use are key – is it clear who can repost and edit the content, and for how long?



If a brand ambassador or celebrity influencer is engaged, then image rights should be addressed. Influencers will rightly want assurances that they will retain rights to their own image and likeness. Ant and Dec have recently been appointed as TUI's "Happiness Ambassadors", helping promote happy holidays to a vast online audience. Ensuring they have appropriate controls over use of their image will be paramount.

Legal compliance

In the UK, ads also need to meet advertising standards, be clearly identifiable as advertisements and comply with UK consumer laws. Assurances regarding compliance with laws and appropriate liability provisions are therefore crucial.

Get out of jail free card

Finally, and perhaps most importantly, what happens if it goes wrong and one party wants the collaboration to end? It is fair to say public opinion can shift overnight and there are many examples of

brand ambassadors essentially being "cancelled" – think of Chanel dropping Kate Moss in her party days. Clear, quick rights to terminate are essential (together with rights to ensure remedial action is taken, e.g. editing or removing posts). This enables an element of damage control, if necessary.

In short, there are lots of exciting opportunities for brands to engage with wider audiences in unique and dynamic ways, as well as key risks to be addressed. Please reach out to CMS for more advice on ensuring your brand partnership is legally robust and delivers maximum value.



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Commercial landlord and tenant

Tenant security of tenure – should it stay or should it go?

Few bits of legislation are as well known (or infamous to some) in the commercial real estate market as the Landlord and Tenant Act 1954 (the 1954 Act) which provides most tenants in the hospitality and leisure sector with security of tenure entitling them to a renewal lease (unless the landlord can prove one or more limited grounds of opposition). Seventy years on and more than twenty years since any significant updates, the Law Commission is finally consulting on the future of this regime. But what should the outcome be?

The basics

With a few exceptions, a tenant in England and Wales who occupies premises for business or professional purposes (including hospitality and leisure) will benefit from this security of tenure. The regime does not apply to occupation by way of a licence nor under a hotel management agreement and where the regime does apply, it is possible to “contract out” business tenancy protection from a tenancy. However a significant number of sector tenants will benefit from this statutory protection. Even since the last update to the regime in 2003, the world has changed significantly: the boom of online shopping; the development of generative AI; the pandemic-fuelled change in people’s leisure activities and acceleration towards remote working; and the urgent focus on the climate emergency and the country’s ambitious journey to net zero.

There is no doubt that the real-world context of the 1954 Act has changed and it appears to be universally accepted that some reform would be welcome. However when turning that into “what” and “how” – the consensus starts to splinter. So, what is next for one of the most significant pieces of legislation in the commercial real estate market in England & Wales?

The status of reform

The Law Commission (the independent statutory body charged with recommending law reform to Parliament) is conducting a wide review of the security of tenure regime under the 1954 Act. The consultation is by way of two separate stages, with consultation having closed on stage one (and the Law Commission will now be digesting the responses from consultees to stage one, before commencing consulting on stage two).



Stage one consultation – the fundamentals

Stage one focused on the fundamental questions of (1) the extent to which commercial tenants should have security of tenure at all and (2) whether the current “one size fits all commercial tenants” approach is appropriate – or is there a case that only some commercial tenants should benefit from security of tenure (if it is to stay)?

The first consultation paper proposed four different models for the future of security for tenure:

1. Mandatory security of tenure;
2. No security of tenure (abolition);
3. Security of tenure to require “contracting in”; and
4. Maintaining the “contracting out” model.

There is undoubtedly a push and a pull here. Some landlords are likely to lobby for the complete abolition of commercial tenancy security on the basis that the statutory intervention in commercial discussions as to whether a tenant is to take a renewal lease and if so, on what terms, should be dictated entirely by market forces and not by statute. This approach works well in Scotland where the 1954 Act does not apply.

Unsurprisingly, some (and more likely the tenant community) will make the point that the security of tenure regime still provides protection to tenants. This remains all the more relevant and necessary today in circumstances where tenants want certainty that they can occupy and invest with the ability to: secure a renewal lease (save if the landlord can oppose on a statutory ground such as redevelopment) and safeguard their investment and goodwill in the long term (this is important, for example for a restaurant

location) but with the flexibility to move at the end of their contractual term if necessary (because the 1954 Act is not in the business of forcing tenants to stay).

Consultees on this side of the fence are likely to make the point that currently, a landlord and tenant on entering a lease can agree to “contract out” of security such that the tenant will not be entitled to ask for a renewal lease at the end of the contractual term and will have to leave or negotiate a new lease without the security blanket of the 1954 Act – it’s quite telling that a significant number of new leases do not “contract out” of the 1954 Act, presumably because landlords see security of tenure as part of their “offering” to secure tenants and maximise rents.

The Law Commission – acknowledging that there are likely to be competing interests – asked for consultees to comment on retaining security but reforming it by (for example):

1. Tenancies of 6 months or less are already automatically “contracted out”. One option is to extend this period so that leases of a longer length automatically fall out of the 1954 Act protection.
2. Excluding tenancies from the 1954 Act protection based on the characteristics of the tenancy such as floorspace, location type, level of rent.

Stage two consultation – the details

We predict that the Law Commission will conclude that the fourth model (i.e. retaining statutory protection in some form with the ability to “contract out”) is the way forward and the second consultation paper will be more technical – using the responses to the first paper, it will ask for consultees view on the details for reform. If statutory protection is going to stay, then this is an



opportunity to cure some of the ills of the regime. Two opportunities which should not be missed:

1. If a landlord and tenant cannot agree the terms of a renewal lease (or indeed if the tenant should stay at all), either party can issue proceedings for the County Court to decide on matters in dispute. Both landlord and tenants are currently frustrated at the length of time the Court process takes and there would be far fewer grumbles about statutory protection if there was an efficient, predictable (in terms of timing); and quick means of resolving disputes.
2. Where a court is asked to determine the rent, length of term or other principal terms of a renewal lease, it does so by applying the statutory requirements for such terms – but the statute criteria for these terms have not kept up with the modern world. For example, the criteria the court is required to apply when determining the new rent is woefully out of date and doesn't account for a number of factors which commercially, might be relevant to the new rent. The court's "tests" for renewal lease terms should be thoroughly modernised.

What next?

There is a lot to unpack about the pros and cons of the different models; as well as how to break down something that sounds simple like "the scope" of who benefits from security of tenure into something that works fairly and consistently in reality (and noting the commercial real estate market is incredibly diverse and varied in all respects, for example: the operators, location, type of property, motive and need for real estate, and market dynamics are just a few of the ways that this variety appears).

There is also the question about how, if security of tenure is to stay, will it not act to petrify lease terms and therefore prevent the urgent changes and innovation that may be needed to address big picture issues – particularly regarding sustainability and environmental issues.

What is clear is that the Law Commission has a balancing exercise to conduct between consultees' competing interests, but if the end result is that we retain statutory protection which is modernised to reflect the modern world and which can be efficiently applied in a timely manner, then I suspect that most consultees will have little to grumble about – the magic will be whether the Law Commission manage to achieve this. Watch this space.



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The new text form requirement for commercial lease agreements in Germany

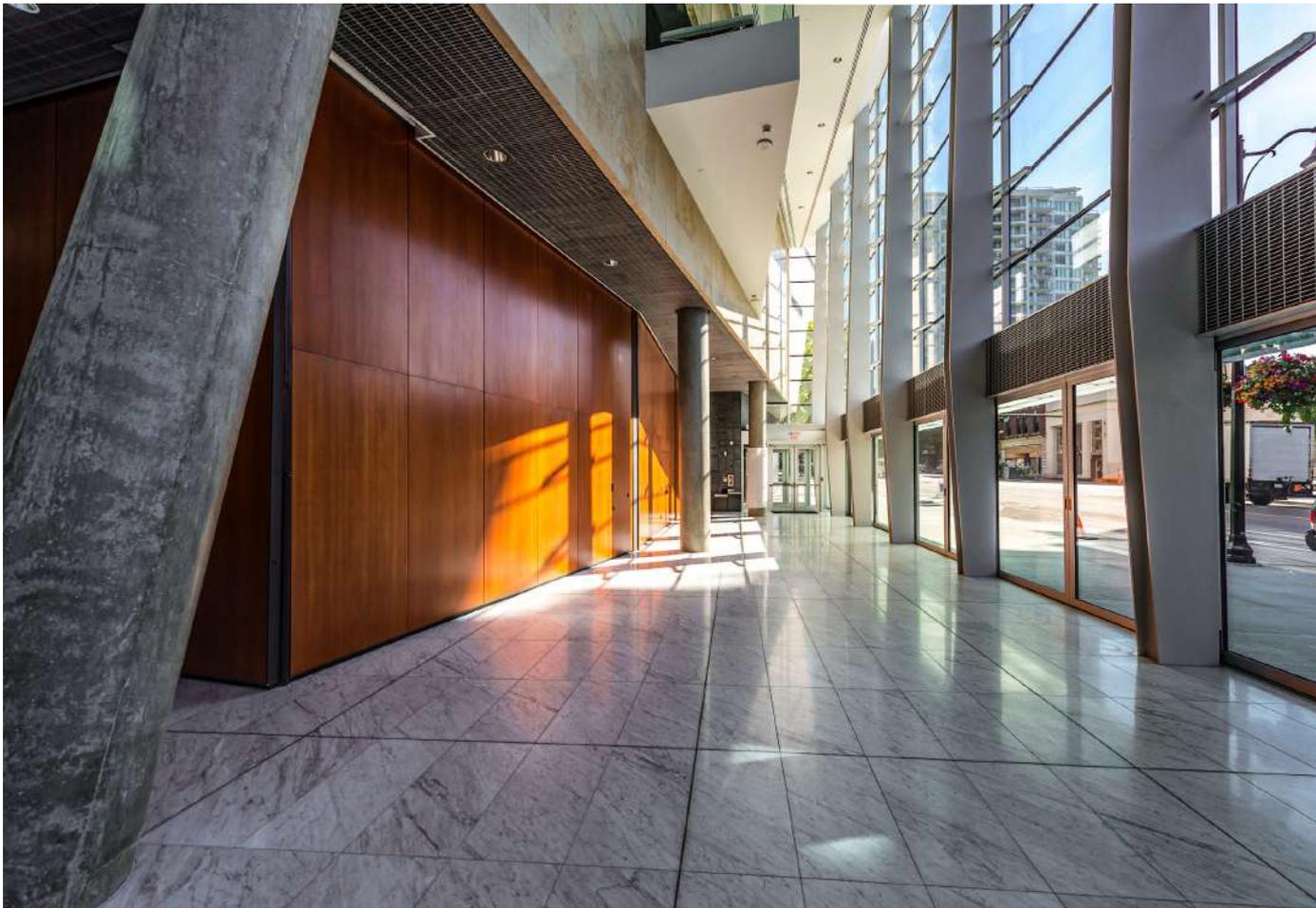
A notorious peculiarity of German lease law has always been the statutory form requirement for commercial leases with a fixed term of more than one year (Sections 550, 578 (2) Sentence 2 BGB). Failure to comply with this requirement results in the lease being reclassified as an indefinite lease, which allows either party to terminate the lease without cause upon six to nine months' notice. Although the lease remains legally binding, losing the fixed term can have significant commercial implications for both landlords and tenants, particularly in sectors such as hospitality where substantial property investments are common. The same applies to any subsequent amendments that are not in the required form.

Historically, German law required leases to be in the written form specified by Section 126 BGB, requiring a wet ink signature. This often complicated and delayed the signing process, particularly for international investors. To simplify compliance with the form requirement, reduce unnecessary bureaucracy, and enable fully digital workflows, the legislator recently relaxed this form requirement. As of 1 January 2025, the simpler text form in accordance with Section 126b BGB will suffice, eliminating the need for a wet ink signature.

As a result, the process of concluding and amending commercial lease agreements has become simpler and quicker. Particularly, the adoption of fully digital workflows is now feasible. Compliance with the text form requirement can be achieved using straightforward methods such as PDF documents, emails, and even exchanges over messenger services like Microsoft Teams or WhatsApp. The criteria for meeting the text form

include making a readable declaration on a durable medium, such as a PDF or any digital text file stored on a hard drive, USB stick, or email server. Additionally, the person making the declaration must be identified, which can be done by including their name in the document or attaching a scanned signature. It is also necessary that the end and completeness of the declaration are clear, which can be indicated by placing the sender's name at the end of the document, adding their initials or a scanned signature, including a closing phrase like "Best regards," or a note stating, "This document is valid without signature".

However, these new possibilities, in particular concluding leases by email or messenger service, may create new risks. Under the previous written form regime, case law introduced an additional layer of complexity through the principle of the "unity of the document" (Einheit der Urkunde). According to this principle, not only did the lease



agreement and its addenda need to be concluded in the required (then written) form, but they also had to include the agreement on all essential contractual elements in said form. Thus, a lease could fail to comply with the statutory form requirement – even if the document itself was properly signed and complied with the form requirement – if it omitted, inaccurately described, or was inconsistent with respect to a material term of the agreement. In the case of an amendment to a lease agreement, the “unity of the document” required the amendment to make sufficient reference to the original agreement, including all prior amendments. An amendment could fail the written form requirement simply by failing to refer to one of several prior amendments. In practice, the primary challenge in adhering to the written form requirement was not securing a handwritten signature, but rather ensuring compliance with the principle of the unity of the document.

If contracts or amendments are executed in informal, loosely worded e-mails, there is an increased risk that the “unity of the document” requirement will not be met, especially when many e-mails are exchanged. This may blur the line between negotiation and agreement, increasing the risk of inaccurate or

even inconsistent contractual stipulations. While it remains unclear whether courts will apply the doctrine of the “unity of the document” to the new text form, there is good reason to believe that they will. It is therefore advisable to strike a balance between the best practices of written form and the new possibilities of text form. At the end of the negotiations, the agreement could be written in a separate PDF document and “signed” by all parties, for example using an electronic signature service such as DocuSign or simply by inserting a scanned signature.



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Tourist taxes round up

Tourist taxes, also known as visitor levies or city taxes, are increasingly being adopted by destinations worldwide to manage the impacts of tourism. These taxes can provide significant benefits, but they also come with certain drawbacks.

One of the primary advantages of tourist taxes is revenue generation for local governments. The funds collected from these taxes can be used to improve local infrastructure, such as roads, public transport, and sanitation facilities, which benefits both tourists and residents. Additionally, revenue from tourist taxes can be reinvested into marketing and promotional activities to attract more visitors, thereby boosting the local economy.

Tourist taxes also help maintain and enhance public amenities such as parks, museums, heritage and cultural sites, ensuring they remain attractive and accessible to visitors. They can also contribute to sustainable tourism if funds are allocated to environmental conservation projects, helping to mitigate the negative impacts of tourism on natural resources and ecosystems. By managing the flow of tourists and investing in sustainable practices, destinations can avoid over-tourism and ensure balanced growth that benefits both the local community and the environment.

However, tourist taxes also have their downsides. One of the main disadvantages is the increase in travel costs. Tourist taxes are typically added to accommodation bills, making stays more expensive for travellers. This can deter budget-conscious tourists and reduce the competitiveness of a destination. For families or groups travelling together, the cumulative cost of tourist taxes can add up, potentially making the trip less affordable particularly where the increase in cost is significant. This very much depends on the location and type of accommodation as you will see from the examples given in this article. The fear for jurisdictions implementing tourist taxes for the first time is that higher travel costs could result in fewer visitors, impacting businesses that rely heavily on

tourism, such as hotels, restaurants, and tour operators. The question in these jurisdictions is whether the cost will simply be passed on to the visitors or whether it will be partly or wholly absorbed by the businesses.

Another cost to businesses is the administrative burden of tourist taxes. The administration and collection of these taxes can be complex, especially in regions with multiple municipalities or varying tax rates. This can lead to inconsistencies and confusion among both tourists and accommodation providers. Ensuring compliance with tourist tax regulations requires effective monitoring and enforcement mechanisms, which can be resource-intensive for local authorities.

While tourist taxes can offer a valuable tool for destinations to generate revenue, promote sustainable tourism, and enhance the visitor experience, in order to maximise the benefits and minimise the drawbacks, it is crucial for local authorities to implement tourist taxes thoughtfully, ensuring transparency, fairness, and effective use of the collected funds. By striking the right balance, destinations can support their tourism sectors while preserving the well-being of local communities and environments.

Austria

Under Austrian law, tourist tax (Ortstaxe) is generally in the competence of the Austrian states and partly also deferred to municipality level. Hence, the basis, tax rate and relevant amount of tourist tax depends on the location of the stay. The cost of tourist tax is typically added onto your accommodation bill. For instance, tourist tax amounts to 3.2% of the lodging costs minus a 11% discount (excl VAT and ancillary costs, such as breakfast) in Vienna, EUR

2.50 to 2.90 per overnight stay in Lower Austria, or EUR 0.86 to 2.50 per overnight stay in Carinthia.

Belgium

In Belgium, the tourist tax is determined by the city where the hotel is located. Generally, the tourist tax is a fixed amount per night, and it is billed directly to the tourist by the hotel. In the Brussels Capital Region, the tourist tax amounts to approximately EUR 4.00 per room per night, the exact amount depending on the exact municipality within the Brussels Capital Region, where the hotel is located. In the City of Antwerp, the tourist tax amounts to EUR 2.97 per tourist per night.

In addition to the tourist tax, hotel operators are required to charge VAT on the accommodation price and hotel related services. The accommodation price is subject to a 6% VAT rate. The rate on additional services, like F&B, will be subject to VAT at a rate of 6, 12 or 21% depending on the exact service.

Bosnia

The tourist tax in Bosnia and Herzegovina falls under the jurisdiction of different levels of government (entity, canton, city/municipality), depending on the location of the stay. Consequently, the amount of tourist tax varies by the place of stay. This tax must be itemised separately on an accommodation bill.

Bulgaria

The amount of the tourist tax is determined by an ordinance of the municipal council within a range of BGN 0.20 to 3.00 for each overnight stay depending on the nucleated settlements in the municipality, the category or registration of the tourist accommodation according to the Tourism Act.

Canton Sarajevo (Federation of Bosnia and Herzegovina)

Within Canton Sarajevo, part of the Federation of Bosnia and Herzegovina, tourist tax rates for 2025 vary depending on the period and type of accommodation. The applicable rates are as follows:

- Festival periods (01 January–05 January 2025; 01 July–31 August 2025; 25 December–31 December 2025): Approx. EUR 2.00 per overnight stay.
- Non-tourist periods: Approx. EUR 1.50 per overnight stay.
- Daily tourist tax: Approx. EUR 0.75.
- Households and rural households (accommodation provided by natural persons): Approx. EUR 25.0 per bed or accommodation unit.

Republika Srpska

In the entity of RS, tourist tax rates are determined locally and vary based on the type of location:

- Tourist destinations (e.g., Laktaši, Trebinje, Istočno Sarajevo, Banja Luka): Ranges from approx. EUR 1.50 to 2.00 per overnight stay.
- Non-tourist areas: Ranges from approx. EUR 0.75 to 1.50 per overnight stay. The exact amount is determined by the respective local government unit (city or municipality).

Brčko District

In the condominium of Brčko District, which is not part of any entity, the tourist tax is fixed at approx. EUR 0.50 per provided accommodation service.

Croatia

Under Croatian law, the Ministry of Tourism sets the minimum and maximum amounts of the tourist tax ("turistička pristojba"), while the competent county assemblies or the City Assembly of Zagreb (depending on the area) then determine the exact rate within the set limits. Therefore, the relevant amount of tourist tax depends on the location of the stay. If no decision is made, the minimum rate applies. The tourist tax is typically added to your accommodation bill. For example, in 2025, the tourist tax in Opatija is EUR 2.00 per night from April to September and EUR 1.50 for the rest of the year, while in Zagreb, it is EUR 1.86 per night year-round. However, it is worth noting that the tourist tax can vary depending on the type of accommodation. The examples above relate to the most common types, such as staying in a hotel.

England, Manchester

The city of Manchester first introduced the City Visitor Charge in April 2023, the first UK city to launch such a "tourist tax". The fee of GBP 1.00 per room, per night raised around GBP 3m in the first year of operation. Manchester's Mayor, Andy Burnham, wanted to introduce the small charge to pay for measures aimed at attracting more visitors to the city, with the proceeds being spent on initiatives such as street cleaning and marketing campaigns. It is believed that since its introduction, the reinvestment of proceeds has had a positive impact on Manchester's accommodation sector.

France

A tourist tax ("taxe de séjour") can be set up, by municipal council decision, in municipalities with a tourist vocation, such as coastal or mountain localities. In principle, the tax is collected by the rental company/individual (in addition to the price of accommodation)



and must be paid by the holidaymaker staying in one of the following types of accommodation: palace, tourist hotel, tourist residence, furnished tourist accommodation, vacation village, bed and breakfast, outdoor accommodation (campsite, caravan park, etc.), camping-car sites and tourist parking lots, marinas. There are, however, some exemptions, such as for people occupying premises where the rent is less than an amount determined by the municipal council, or for seasonal workers employed in the municipality. Tourist tax is calculated per person per night, according to the type of accommodation and whether the establishment is classified. Tourist tax rates are set by the municipal council of the city or by the deliberative body of the "Établissement public de coopération intercommunale", based on a scale that is revised each year (as for 2025, the tourist tax should range between EUR 0.20 to 4.80). For unclassified accommodation or accommodation awaiting classification (apart from open-air accommodation), the rate is computed based on a percentage of between 1% and 5% of the cost of the night.

Instead of this tourist tax, beneficiary municipalities may prefer (either globally or depending on the type of accommodation) to introduce a flat-rate tax ("taxe de séjour forfaitaire") levied on landlords, hoteliers and owners, based on capacity and the number of

overnight stays. In this case, the tax is paid directly to the municipality by the person responsible for the accommodation. The cost of the tax may or may not be included in the room rate. In this case, the customer's bill must include the words "taxe de séjour forfaitairement comprise" (tourist tax included). The flat-rate tax is calculated per accommodation and per night. However, the total amount of the flat-rate tax can be reduced by applying an allowance (between 10% and 80%) to take account of the length of time the establishment is open. In any case, the tax is set by the municipal council of the city based on a scale that is revised each year (as for 2025, the tax should range between EUR 0.20 to 4.80). Besides, the tax is subject to VAT (at a 10% rate in principle).

In addition to these taxes set by the municipalities, the departmental council can also decide to introduce an additional departmental tax equal to 10% of the tourist tax (as is the case in Paris département, for example). In the Ile-de-France region, there is an additional regional tax of 15%. Moreover, since the finance bill for 2024, municipalities in the Île-de-France region can institute a further tax of 200% to the tourist tax of flat rate tax levied (as a contribution to transport costs). This is for instance applicable in Paris. As a result, a tourist having a room in a Parisian palace may pay up to EUR 15.6 tourist tax per night in 2025.

Germany

Tourists visiting Germany may encounter lodging taxes in cities such as Berlin, Düsseldorf, Dresden, and Frankfurt am Main. The name and specifics of these taxes vary by locality. For example, Berlin refers to it as the "Übernachtungsteuer" ("overnight stay tax"), Cologne calls it the "Kulturförderabgabe" ("culture promotion tax"), and Frankfurt terms it the "Tourismusbeitrag" ("tourism contribution"). Initially targeting only touristic stays, many cities, including Berlin from 2025, now levy these taxes on business trips as well. The tax rate generally ranges from 5% to 7.5% of the accommodation cost, excluding ancillary services like breakfast. In some cities, for example Frankfurt, the lodging tax is a fixed amount. Additionally, details such as the tax base and exemptions can differ.

Hungary

Regarding the tourist tax in Hungary, according to Act XC of 1990 on local taxes, the local municipalities may impose tax on tourists if they are not permanent residents of the particular municipality and spend at least one night in the municipality's jurisdiction. The tax is calculated based on the number of nights stayed (if the traveller stayed for free) or the accommodation fee, with a maximum rate of HUF 300 / day or 4% of the accommodation fee respectively, with specific exemptions applicable. These exemptions include individuals under 18, those receiving inpatient care in medical or social institutions, students and trainees staying for educational purposes, individuals staying for work purposes, and those staying in properties owned by religious organisations for religious activities. The tourist tax is payable by the traveller, but to be collected by the host and usually appear on the invoice as an extra charge above the agreed rate.

Additionally, the tourism development contribution (TFH) mandates a 4% levy on the net value of services provided by restaurants and accommodation providers. This contribution applies to the sale of food and non-alcoholic beverages prepared on-site in dining establishments, as well as commercial accommodation services. The TFH is calculated based on the net value of the services provided, excluding VAT and payable by the service provider, so it is included into the agreed rate.

Netherlands

While the amount of tourist tax differs in the Netherlands, depending on the municipality, the rate for Amsterdam was increased in 2024 from 10 to 12.5% of the accommodation price, making it one of the most expensive tourist taxes in Europe. Despite strong objections from the hotel sector, the municipality of Amsterdam has decided to leave the tourist tax unchanged in 2025.

Another headwind for Dutch hospitality pricing is the fact that the Tax Plan 2025 of the Dutch cabinet provides for the abolition of the reduced VAT rate on accommodation (currently 9% for a short stay). The cabinet intends to bring hotel stays back under the standard rate of 21% as of January 1, 2026. Although the increase in the VAT rate is still subject to political debate, the hotel sector is already taking into account a possible increase in the VAT rate. As a result, a hotel stay would certainly become more expensive, which could have a significant impact on the Dutch hotel market.

Poland

Municipalities in Poland have the authority to charge "local fees" or "SPA fees" to individuals who stay in a town for more than 24 hours for tourism or training purposes. These fees can only be imposed in towns that meet specific government criteria, such as having exceptional landscape value. The fee is applicable for every 24 hours of stay. The exact amount of the fee is determined by the local municipality, but there is a government set maximum limit for these fees, which is updated annually. Some cities that charge these fees include Sopot and Zakopane.

Portugal

In Portugal, tourists that stay in touristic developments, local lodging establishments or in cruise ships are required to pay a touristic public fee between EUR 1.00 to 4.00 for each night (specific value depends on the Municipality). In Lisbon, for example, the touristic public fee currently amounts to EUR 4.00 per night; on another hand, in Porto the tourist public fee currently amounts to EUR 3.00 per night. The fee is charged through the touristic/local lodging operator, who then delivers the funds to the applicable municipality.

We also note that tourists coming to Portugal for medical reasons or for purposes connected to a higher education are normally exempt from paying such public fees.

Scotland

Legislation to allow visitor levies in Scotland became law in July 2024. It is up to each of Scotland's 32 local authorities to decide whether or not to introduce a visitor levy, the level it should be set at (which must be a percentage of the cost of overnight accommodation, excluding (1) OTA fees and (2) "add-ons", such as room service, purchased during stays) and what precisely proceeds should be spent on.

The City of Edinburgh Council will be the first to introduce a levy. The 5% levy will apply for the first five nights' stay and apply all year-round to stays on/after 24 July 2026 if booked after 1 October 2025. It intends

to spend its levy proceeds mainly on: (1) housing and tourism mitigation, (2) participatory budgeting, (3) city operations and infrastructure, (4) culture, heritage and events and (5) destination and visitor management.

Slovakia

Under Slovakian law, tourist tax (accommodation tax) is under the remit of the municipality. Hence, the basis, tax rate and relevant amount of tourist tax depends on the location of the stay. The cost of tourist tax is typically added onto the accommodation bill. For instance, tourist tax amounts in Bratislava between EUR 3.00 to 3.50 per overnight stay.

Slovenia

In Slovenia, each municipality has the authority to set the tourist tax rate, with a maximum limit of EUR 2.50 per person per night. This statutory cap may be adjusted by the national government to account for inflation. Additionally, a tourism promotion tax, equal to 25% of the tourist tax, can be levied. In municipalities that charge the highest possible tourist tax, such as Ljubljana, the total fee for one overnight stay thus amounts to EUR 3.12. This cost is typically added to your accommodation bill.

Spain

Several cities in Spain have recently decided to raise the price of tourist tax, and other cities are in discussions about following suit. In Barcelona, the fee is EUR 4.00, whereas in the Balearic Islands the fee is between EUR 2.00 to 6.00 during the summer months. Since 2012, commonly known tourist taxes such as eco-taxes or city taxes have been introduced in certain locations, following the trend set by other European legislators, such as the Netherlands and France. Catalonia and the Balearic Islands were pioneers in introducing these taxes in Spain, having done so in March 2012 and April 2016, respectively. These taxes have acquired growing relevance and impact within the Spanish tourism sector, particularly due to the rising concern about the influence of tourism on the sustainability and social balance of Spanish cities, and the coexistence between tourism and the regular residents of these cities.

The provisions of Law 2/2016 of the Autonomous Community of the Balearic Islands, for example, highlight the underlying reasons for the imposition of these taxes. The law states that tourism has become the core of the Balearic economy, generating economic and social development, but has also resulted in the excessive exploitation of territorial and environmental resources, as well as job insecurity. It has also required public institutions to provide and maintain the necessary infrastructure to withstand the impact of the continuous increase in visitors preserve the quality of stays experienced.

The amounts collected from these taxes are generally allocated to funds aimed at promoting and improving tourism infrastructure, with a focus on sustainability.

In addition to Catalonia and the Balearic Islands, the tourist tax has been introduced in the Autonomous Community of Valencia (although it was repealed in November 2023) and is being considered for implementation in various municipalities, such as Santiago de Compostela (A Coruña) and Mogán (Gran Canaria), although the application in the latter case has recently been suspended.

It is important to note that the Spanish autonomous region regime and its specialties can result in varying levels of taxation on visitors, as seen in the case of Barcelona, where the tax amounts to EUR 4.00 (and arising from Catalonia, where it ranges from EUR 1.00 to 3.50 depending on the accommodation used) leading to a total cost of EUR 5.00 to 7.50 per person per day.

Overall, it is clear that these tourist taxes are increasingly being adopted in Spain, following the line set by Spanish legislators focused on improving and regulating tourism centred on environmental and economic sustainability.

Switzerland

In Switzerland, visitor levies are determined at the cantonal or municipal level, leading to varying rates depending on the destination. Unlike some jurisdictions that apply a percentage-based tourist tax, the Swiss system is primarily based on a fixed amount. While there are a few municipalities which do not impose a visitor's levy at all, the levy ranges from CHF 2 (for the canton of Zug) to 7 (for the municipalities of Montreux and Saas-Fee) per person per night and is typically added to accommodation costs. The revenue from these levies is used to fund local tourism infrastructure, maintain public amenities, and promote the region as a travel destination. While cities such as Zurich generally apply a modest visitor levy, popular Alpine resorts such as Zermatt or St. Moritz tend to charge higher rates due to their extensive tourist offerings and infrastructure. In most regions, visitors paying the tourist levy receive benefits such as discounts on public transportation or access to local attractions.



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Employment Rights Bill will hit the hospitality sector hard

Legislation must strike balance between intended aims and encouraging economic growth

The Employment Rights Bill (ERB) introduced by the **UK Government** in October 2024 aims to improve working conditions, promote economic growth, and benefit both workers and businesses.

While the implications of this Bill are far-reaching, the UK's hospitality sector is likely to be significantly impacted by this new legislation. The measures that will likely have the greatest impact on this key sector are new rights which aim to tackle zero hours contracts by giving workers guaranteed hours contracts, reasonable notice of shifts, and compensation for short-notice cancellation of shifts.

Employers will be obliged to offer employees deemed as 'low hours' staff a contract with increased hours if, over a 12-week period, their actual working hours exceed those set out in their contract. While much of the detail for these measures is still unknown, there are concerns that the onus is on the employer to offer the guaranteed hours, rather than the previous Government's solution where a worker would have a right to request a predictable working pattern.

The removal of the current three-day period before workers are entitled to Statutory Sick Pay is also set to have a profound effect on the hospitality sector. This measure imposes a direct increase on wage costs for employers at a time when the National Living Wage is also due to rise next year.

Along with a proposed lowering of thresholds for union recognition, another key aspect of the ERB which raises particular concerns within the hospitality sector is the provision enabling employees to bring a claim for third-party harassment. This would effectively mean that a bar or restaurant worker who is subjected to racist or sexist comments from a customer could bring a claim against their employer if they believed their employer had failed to take 'all reasonable steps' to prevent this.

While they will enhance workers' rights, these new measures are likely to significantly increase the cost of employing casual labour. This is a real concern for the UK hospitality sector which contributes GBP 93bn to the economy and currently employs over 3,000,000 people.

The ERB brings significant administrative burdens including the requirement to track shifts and offer new contracts to certain employees with variable hours. While this will impact many sectors, it's set to have a particularly stark effect on hospitality employers who must deal with seasonal fluctuations and can be reliant on flexible working practices often involving agency staff.





Recent deals

- **AccorInvest** on the c.GBP 500m transaction in which Landsec sold its real estate interests in 3 hotels to AccorInvest and the remaining 18 to Ares and EQ and AccorInvest sold its businesses in respect of such 18 hotels to Ares and EQ.
- **Amante Capital** on its joint venture with KKR and Baopost, regarding the GBP 900m acquisition of a portfolio of 33 Marriott hotels and the drafting and negotiation of the platform asset management agreement and hotel management agreement, regarding the Marriott portfolio.
- **M&E Mills Limited** on the sale of the Deliciously Ella hospitality, retail and media business to Hero Group, a private consumer food manufacturer and marketing company based in Switzerland that focuses on baby and toddler food, healthy snacks, and natural spreads.
- **Hermes Central London Limited Partnership** on the sale of Haymarket House, London SW1, a GBP 400m West End hotel development opportunity, to Asif Aziz-backed Criterion.
- **All England Lawn Tennis Ground PLC**, on its once in a generation expansion proposal to deliver an 8,000-seat capacity show court, 38 new grass courts, and a new 21ha publicly accessible park on Wimbledon Park Golf Course.
- **Jewel Hotel Trustees I Limited and Jewel Hotel Trustees II Limited** on numerous sales of UK hotel assets including the assets of the Marine, Caledonian and Great Western Hotels and the business and assets of the Beresford, Valley of Rocks and Carlton Hotels.
- **P1 Hotels and H3 Hotels** on the refinancing of Holiday Inn, Ibis Budget and Tribe Hotels, Manchester Airport, and forward sale and lease-back on ground lease of the Tribe Hotel, Manchester.
- **Millemont Capital Partners** on the acquisition of the Yotel Edinburgh, sale and lease-back of ground lease, conversion to franchise and financing.
- **Brightbay Real Estate Partners** on the sale of Doubletree by Hilton, Edinburgh to Swedish-listed hotels group Pandox.
- **Room Mate Hotels** on their acquisition of the Hotel Marmont in Geneva (share deal).
- **B&B Hotels** with their roll-out in Switzerland, which includes advice on their hotel lease agreements.
- **Peronnes Invest** (large leisure complex) in acquisitions and disposals, including specific Belgian labour law aspects.
- **Limited Edition Hotel**, the creator of the brands MIX and SHAKER, in developing new mix projects (hotel, gym, wellness, restaurants, and bar) in Brussels and Paris.
- **Sohoma** in the acquisition of the 4-stars hotel Navarra in Brugge (+100 rooms).

- **Sheraton (Brussels)** in the acquisition and full refurbishment of the former Sheraton Brussels Hotel (500 rooms).
- **Standard International** in the negotiation of a hotel management agreement regarding the project ZIN (World Trade Center).
- **BlackRock**, on the sale of a portfolio of two urban hostels located in Dublin and Barcelona to Azora European Hotel and Lodging Fund, for EUR 55m.
- **Covivio Hotels**, on its acquisition, through a SPV, of Las Dalias Hotel in Tenerife, currently operated by Iberostar and previously owned by the Starwood Group.
- **easyHotel** on a Spanish law governed structured finance provided by Caixabank to four PropCos and four OpCos owned by the Easy Hotel group, to finance the acquisition and development costs of four hotels located in Barcelona, Madrid, Valencia, and Alicante.
- **Epargne Pierre Europe SCPI** on the acquisition of a hotel in Bilbao owned by Bilconext Hospitality.
- **Ilanga Capital** on the acquisition of the shares of a company owning a large 4-star hotel complex located in Mallorca, Spain.
- **Santander Real Estate Equity**, vehicle managed by Santander Alternative Investments, on a joint venture with Neinor Homes, acting as project manager, for the acquisition of a plot located in Madrid to develop an apartment building and operate it under a flexliving model.
- **Festa Hotels** (A hotel chain) on a franchise agreement with Accor related to the construction of Mercure hotel.
- **Invesco Real Estate**, acting on behalf of its German client, acquired the Cloud One Gdańsk (Motel One Group) hotel from Granaria Development Gdańsk., a joint venture between Immobel and Multibud.
- **Orbis S.A.** (from AccorInvest group) has sold the Sofitel Grand Sopot (formerly known as the Grand Hotel) to Sinfam Investments for a transaction price of approximately PLN 125m. Following the transaction, Sinfam Investments, an investor in hotel real estate on the Polish market, became the owner of the property, while Accor continues to manage the property as part of a further cooperation (HMA).
- **Qubus Hotel** acquired a four-star Holiday Inn hotel in Bydgoszcz. This acquisition expands the Qubus Hotel network, adding a 13th location.
- An affiliate of **Satoria Group** has acquired the Hampton by Hilton Hotel in Świnoujście. The VHM Hotel has become the new tenant and the operator of the facility.
- **Bath Road Holdings** on the sale of their dual-brand Holding Inn and Staybridge suites hotel at London Heathrow Airport to a private investor.
- **QHotels** on the refinancing of their portfolio of 19 UK Hotels with a club of three banks.
- **Schroder Capital** on the acquisition by their UK Operating Hotel Fund of the W Edinburgh Hotel from Nuveen and APG.





Q&A with: **Leon Thompson,** UKHospitality, Executive Director Scotland

The UK hospitality sector has faced numerous challenges over the past few years, and as we look ahead to 2025, the industry continues to navigate a complex landscape. From the lingering impacts of the COVID-19 pandemic to rising costs and new regulatory measures, hospitality businesses are under significant pressure. In this interview, we delve into the key headwinds facing the sector, explore strategies for overcoming these challenges, and discuss the implications of new policies such as visitor levies and electronic travel authorisations.

We will also examine the performance of Edinburgh's hotel sector, which stands out as one of the best in Europe, and consider what lessons other parts of the UK might learn from its success. Additionally, we will touch on broader trends and issues that UKHospitality is currently focused on, including efforts to attract and retain talent in the industry.

We explore these critical topics with Leon Thompson of UKHospitality, who provides valuable insights into the future of the UK hospitality sector and the steps businesses can take to thrive in an ever-evolving environment.

1. What headwinds are facing the UK hospitality sector in 2025?

"It's really been a constant struggle for businesses since Covid. Hospitality is facing into a number of challenges, including inflation, higher interest rates, energy price increases. We also now have an increase in employer NICs coming from 1 April, which will hit our businesses hard. We've calculated that these increases will cost hospitality a further GBP 1bn each year.

As a sector that relies on discretionary spend, the continuing cost of living crisis amongst our customers and guests compounds the cost increases faced by business. It's hard to keep passing these costs onto guests".

2. What can hospitality businesses do to tackle those challenges?

"It's about continuing to deliver great experience and service to guests. People still want to take holidays and go out, so businesses need to be at their best and keep reminding guests why a visit to a pub, bar, restaurant, or a stay in a hotel, is such an important and welcome part of life".

3. Visitor levies (aka tourist taxes) are coming to Scotland soon. Does the hospitality sector support them? Do hoteliers' views vary depending on where they're based?

"Broadly, the accommodation sector remains opposed to visitor levies, or taxes. With the second highest VAT rate in Europe and rising costs, Scotland and the rest of the UK already lacks price competitiveness. Adding more cost for a stay or holiday is unwelcome. The administration of the schemes in Scotland will also add costs to accommodation providers, as well as taking up valuable team time.

In Edinburgh, where the conversation on a levy has been live for almost two decades, there is a now an understanding of how the revenue raised will be spent. If the city gets it right, then there could be significant investment in the destination and our festivals, which are key drivers of visits and international attention. Edinburgh's levy will be in place from 24 July 2026.

Other councils in Scotland are beginning to consult on schemes. It remains to be seen how many progress their plans and I'd advise caution. This can't be seen as additional money for councils to use to deliver statutory services. There is also a tipping point, where destinations can simply become too expensive".

4. The City of Edinburgh Council is planning to use part of its visitor levy proceeds to support affordable housing. Have the Council provided any comfort that new affordable housing will be specifically available to workers in the hospitality sector (who sometimes struggle to find affordable accommodation)?

"There's talk about housing for key workers, with that definition including people in hospitality. Of course, it's likely that some hospitality workers will be in these new homes, but that's more likely to be by happenstance than design".

5. Manchester city centre already has a limited industry-led tourist tax scheme, but do you anticipate tourist taxes being introduced in other parts of England and Wales – and if so, roughly where and when?

"There is clearly an appetite in some authority areas in England to look at taxes. Certainly, the mayor of Manchester has called for one. The charge in that city, at the moment, is run through the Accommodation BID and certainly these are likely to remain popular, as businesses see decline in spend by councils on destination management and promotion. Levies in Wales could appear from 2027".

6. The UK has been introducing a new system of electronic travel authorisations, whereby most international visitors must apply for permission, and pay (relatively nominal) sums, to visit or transit through the UK – do you think this will have any impact on in-bound visits?

"It's important that our governments remain mindful of the cumulative costs faced by our visitors. They're travelling here to spend money in towns, cities and villages across the country. Let's keep encouraging that. So, it would be better to reduce financial barriers, instead of adding more. ETAs, proposed visitor levies, and no-VAT free shopping. The narrative starts to sound tough".

7. Edinburgh has one of the best performing hotels sectors in Europe. Why is the city doing so well?

"In short, Edinburgh is an amazing city to visit, year-round. Whether it's a city break, a business event or an extended stay during the festivals, there are so many reasons to visit. The capital is also a starting point for visitors planning to see more of Scotland and often where they return to before heading home. But we can't take it for granted and it does require investment to keep that success flowing.

The addition of new hotels is vital and the city is attracting high calibre investment. New accommodation and world leading hospitality is helping to transform the city, which in turn helps keep visitors focused on Edinburgh".

8. Can other parts of the UK learn any lessons from Edinburgh's stellar performance – or is that like trying to compare apples with oranges?

"Destinations need to focus on what they do well and what will capture the imagination of visitors. In Scotland and the rest of the UK, we have so many beautiful and fascinating places to visit. Whether its history, contemporary living, activities, scenery, events or the people, there are always ways to tell a great story".

9. Are there any other big picture trends and issues that UKHospitality are currently focused on?

"UKHospitality is always working to raise the profile of jobs and careers across hospitality. With so many amazing and rewarding roles we're keen to see more people start careers in hospitality. Whether school leavers, people seeking new employment opportunities or those looking for a new challenge. By working with a range of partners, we're helping our businesses recruit and retain talent. Hospitality is a people sector and that's where great service and exciting experiences begin".

CMS European M&A Study 2025

Hotel & leisure focus



In March 2025 CMS published the 17th edition of its European M&A Study; a report which analyses market trends and deal points from private M&A deals on which the firm advised in the preceding calendar year.

The 2025 edition covers 582 deals on which CMS advised in Europe 2024 which is a record for the volume of transactions analysed for one year – this demonstrates the depth, scope and strength of CMS' corporate practice across our European offices. Of those deals, 32 were transacted within the Hotels & Leisure sector representing the 2nd highest number of transactions for the sector since the inception of the Study and emphasizes market leading position the CMS Hotels & Leisure sector team represents.

In this article we take a look at some highlights from the M&A Study with a particular focus on the Hotels & Leisure statistics.

The profile of those persons undertaking transactions in 2024 was similar to 2023. Unsurprisingly, on the buy side, 94% of buyers were either strategic investors or finance investors however the composition has changed with 73% being strategic investors (down 4%) with finance investors moving up 4% to 21%. On the sell side, the wave of individual sellers anticipated to have been prompted by changes in CGT rates in the UK was not seen and the amount of individual sellers and managers remained static at 31% and 13% respectively.

CMS has analysed the top deal drivers for undertaking M&A for the past 6 years. Entry into new markets, acquiring competitors and acqui-hire transactions have consistently been top of the rankings in this area when looking at all sectors albeit there is a wide variety of factors determining deal activity. Taking the Hotels & Leisure sector in isolation, acquisition of a competitor was stated as the main deal driver on 45%

of deals and remains the most common deal driver albeit its proportion of deals was down from 60% last year and we saw entry into new markets growing in popularity in the Hotels & Leisure sector too.

ESG and AI have perhaps been two of the most talked about topics in the legal industry over the last few years. Despite this focus in the media and in the legal and sector press, our data suggests that ESG aspects and adoption of AI tools each have yet to become a fundamental component of M&A. Where legal technology tools are known to have been used on transactions, AI tools comprise 32% of that technology. In the ESG sphere, the number of deals involving specific ESG due diligence and specific ESG provisions in the sale and purchase documents declined notably from 2023's figures.

The data from 2024 demonstrates some changes in deal points relating to pricing – highlights are increases in the number of deals involving purchase price adjustments and locked box structures, a rise in earn-outs and an increase in the use of EBIT/EBITDA as the metric on which to calculate earn-outs. This marks a reversal of the trends from last year and appears to favour buyers. The data for Hotel & Leisure deals demonstrates consistently a greater adoption of purchase price adjustments and a significant fall in the use of locked-box mechanics (down 41% to just 21% in non PPA transactions) and very few earn-outs (down to 6%).

The use of Warranty & Indemnity (W&I) insurance in European Hotels & Leisure transactions remains popular on significant value deals – notably a W&I

policy was purchased on 57% of deals having values between EUR 25–100m and 67% on deals over EUR 100m. This is consistent with statistics for other sectors where likewise the costs of purchasing the insurance is perhaps not seen as being merited on smaller value deals (only 10%). That said the W&I insurance market is increasingly competitive and new entrants to the market are attacking the lower value segment and prices remain attractive. Therefore, the 10% figure is noteworthy in that it represents a 6% increase on the equivalent figures from 2023.

The popularity of W&I insurance impacts the data on liability caps with the Hotels & Leisure sector in 2024 experiencing an increase in low liability caps generally with 62% of deals in the sector having a liability cap of less than 50% of the purchase price whilst on large transactions (EUR 100m+) 50% had a liability cap of 10% or lower.

This year's data from Hotels & Leisure transactions indicates an increase of limitation periods longer than 24 months and a decrease of limitations periods shorter than 12 months. These figures indicate a development towards a more buyer-friendly market with regard to limitation periods and a reversal of the position noted in the previous year.

In respect of seeking a form of security for warranty claims – the market remains seller-friendly. In only 9% of Hotels & Leisure deals (down 13%) were buyers able to demand a form of security for claims. This is likely due to the popularity of W&I insurance and the cost and time burden in obtaining escrow accounts or bank guarantees.

The use of material adverse change (MAC) clauses in Hotels & Leisure deals remained broadly static in 2024 at 13% which figure is consistent with the average across all sectors (where there was an overall

increase from 10% to 14%). This is perhaps not surprising considering the economic environment with the geopolitical tensions in Ukraine and the Middle East and elections of new political leaders across Europe and North America. The disparity between Europe (14% overall) and the US (98%) regarding the use of MAC clauses is also significant.

CMS compares European and US market practice on various M&A deal points using data from US deals as presented by the SRS Acquiom Report. CMS reports that in the period during which it has published its European M&A Study, broadly speaking, the same differences in market practice between European and the US have always been noted. Key differences noted are purchase price adjustments on almost all US deals, MAC clauses on almost all US deals, lower % liability caps for sellers on US deals and a rapid growth in the W&I insurance market in the US in recent years.

In conclusion, CMS' European M&A Study 2025 underscores an optimistic outlook for M&A activity in Europe in 2025 and looking forward to 2026. Q1 of 2025 has been positive and we are pleased to have closed some significant deals and been instructed on interesting and high profile mandates. As ever, early into 2025, we continue to be observant of economic and political factors that could impact the M&A markets, not least how we feel the impact of new political leaders in various countries. Nonetheless there appears to be some stability in the debt markets and an abundance of available capital and demand from institutional investors.



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Upcoming events



OpRE Festival

24 June 2025

Pullman London, St Pancras



CMS Hotels & Leisure Charity Quiz

25 June 2025

Balls Brothers Minster Court, London



CMS Hospitality Conference

10 September 2025

CMS London



CMS Founders Bootcamp

17 September 2025

CMS London



Annual Hotel Conference (AHC)

30 September 2025

Manchester



CMS Real Estate Conference

16 October 2025

Central Hall Westminster, London

Publications



CMS European M&A Study 2025

The 17th edition of the CMS European M&A Study reveals how investors are navigating a buyer-friendly market, geopolitical uncertainty, and shifting regulatory landscapes. Despite ongoing economic and political uncertainties, M&A activity in Europe remains strong, with a positive outlook for 2025. The study highlights an evolving landscape where dealmakers are adapting to shifting risk allocation strategies, emerging technologies, and regulatory complexities.



Back in Gear: CMS European M&A Outlook 2025

After a challenging couple of years for European M&A activity, we are starting to see signs of a recovery. With deal values up in H1 2024, and a focus among dealmakers on larger transactions, our survey paints a picture of more optimism about the prospects for 2025. The report offers a comprehensive assessment of dealmaking sentiment in Europe’s M&A market and reflects the opinions of 330 corporates and PE firms based in Europe, the Americas and APAC about their expectations for the year ahead.



CMS Middle East M&A Report 2024/25

The Middle East remains a region in transition. Driven by government-led visions for the future, the transformation is not just seen in regulations and ease of doing business but the region also continues to change physically in front of our eyes. The opportunities in the region continue to attract foreign investors, from corporates to start-ups and financial investors, particularly to the Gulf Cooperation Council nations.



CMS Expert Guide to real estate finance law

A clear understanding of the security available is fundamental for lenders and borrowers. To assist, CMS has launched an interactive International Guide to Real Estate Finance. This provides a clear and concise explanation of how a lender (local or foreign) can take security over real estate and options as to enforcement. The Guide provides a detailed chapter for most European jurisdictions.



CMS Expert Guide to ESG in Real Estate 2025

Despite the ongoing challenges, there’s an unwavering legislative push towards environmental, social, and corporate governance (ESG) aspects. Surprisingly, the European regulator is taking the lead in creating new regulations, with deadlines for reducing greenhouse gas emissions, achieving energy efficiency thresholds, and other sustainable development goals drawing closer.



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